

Clinic to end contract, cut Blue Shield ties

Decision could affect 4,000 patients

Tainese Arceneaux - STAFF WRITER

Visalia Medical Clinic has announced plans to end its contact with Blue Shield of California and terminate a 20-year relationship with the major insurer due to a dispute over reimbursement rates.

The clinic said the cancellation would be effective Dec. 1. The decision by the physician-owned facility could affect about 4,000 patients covered by Blue Shield, or about 6 percent of the clinic's clientele.

"Blue Shield was unwilling to negotiate an equitable contract," said Russ Desch, chief financial officer of Visalia Medical Clinic. "They imposed a unilateral decrease in reimbursements on our health care providers."

Desch said the reimbursement rates are 2-3 percent lower than the previous rates.

"That left us with two choices - either accept the changes or don't," Desch said. "And we couldn't. The reimbursement rates wouldn't cover our increasing cost to provide services."

Tom Epstein, vice president of public affairs at Blue Shield, said they adjust reimbursement rates and premiums in accordance with the cost to provide health care.

"The cost of health care has gone up, so when we negotiate prices, we are looking to pay a rate that covers their cost and their profits, but not so it drives up the cost of premiums," he said.

About 85 percent of its premiums go to medical care, Epstein said of the not-for-profit insurance group.

Blue Shield and its associate, Blue Cross, are among the major players in California's health insurance industry along with HealthNet, Aetna and Cigna.

Desch said he received a letter from Blue Shield in early May stating there would be changes when contract negotiations came up in July.

There were many discussions be-

tween the clinic and the insurer from May to July. Those lower in the company proposed better rates that would have been acceptable, but ultimately the higher-ups at the company did not approve the proposals, Desch said.

"Blue Shield said they were lowering their reimbursement rates to be more competitive in the marketplace," he said. "Yet when we asked for a quote for coverage for our employees, their premiums went up. It doesn't make sense."

Epstein said Blue Shield and the clinic are still in contract discussions and could still reach an agreement. "We have plenty of time, and no one needs to worry about changing doctors yet," he said.

Epstein said some health care providers say they will terminate contracts in order to make the negotiations more serious. Desch counters it's Blue Shield that uses such negotiating tactics to lower reimbursement rates, saying he went through the same thing two years ago and in prior negotiations before that.

"California insurance companies are large, and they want larger profits, and be-

cause of their size, they can use it for better or for worse," said Dr. David Slater, pathologist and president of the Fresno-Madera Medical Society, a physician advocacy group.

Slater said there is a lot of pressure building in the country with its aging population and the need for the latest technology to provide health care. That increases costs, and he said health care providers are getting squeezed with insurance companies cutting back on reimbursement rates.

"I know it is hard to feel sorry for doctors, but we are struggling to be treated fairly while trying to make a living," said Dr. Richard Frankenstein, president of the California Medical

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Clinic | from 3

Association.

The organization advocates legislation that would help regulate the insurance agencies and ensure prompt payments, reduce red tape and require spending at least 85 percent of premiums on health care.

Frankenstein said Blue Cross tells its network doctors to find reasons to cut a patient's coverage. Some major insurance groups have been slapped with lawsuits and fines for rescinding coverage for policyholders after they got sick.

"There is a good dose of regulation needed to keep up with the social needs of the community," Slater said.

Visalia Medical Center is not the only health care provider battling with the insurance agencies, and its size gives it some negotiating power.

"In Visalia Medical's case, they are a large private practice," Slater said. "But for some small doctor groups, it's hard to stand up to insurance groups or have the resources to cut back costs."

Desch said the clinic switched to electronic billing and records management systems five years ago to cut back on the amount of staff needed and reduce overhead costs.